

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 03-019	2. STATE North Dakota
FOR: HEALTH CARE FINANCING ADMINISTRATION		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE July 1, 2003	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447 Subpart C		7. FEDERAL BUDGET IMPACT: a. FFY 2003 \$ 0 b. FFY 2004 \$ 0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-D, Sub-section 2, page 23 Attachment 4.19-D, Sub-section 2, page 24		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-D, Sub-section 2, page 23 Attachment 4.19-D, Sub-section 2, page 23a Attachment 4.19-D, Sub-section 2, page 24	
10. SUBJECT OF AMENDMENT: Payment for long term care facility services (intermediate care facilities for the mentally retarded)			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: //David J. Zentner - signature//		16. RETURN TO: David J. Zentner Director, Medical Services ND Department of Human Services 600 E Boulevard Ave-Dept 325 Bismarck ND 58505	
13. TYPED NAME: David J. Zentner			
14. TITLE: Director, Medical Services			
15. DATE SUBMITTED: September 15, 2003			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: SEP 17 2003		18. DATE APPROVED: SEP 17 2003	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 1 2003		20. SIGNATURE OF REGIONAL OFFICIAL: [Signature]	
21. TYPED NAME: Charlene Brown		22. TITLE: Deputy Director	
23. REMARKS:			

4. Proper records will provide accountability for the fixed assets and also provide adequate means by which depreciation can be computed and established as an allowable client-related cost.
5. The basis for depreciation is the lower of the purchase price or fair market value at the time of purchase.

In the case of a trade-in, fair market value will consist of the sum of the book value of the trade-in plus the cash paid.

6. For the depreciation and reimbursement purposes, donated depreciable assets may be recorded and depreciated based on their fair market value. In the case where the provider's records do not contain the fair market value of the donated asset, as of the date of the donation, an appraisal must be made. An appraisal made by a recognized appraisal expert will be accepted for depreciation.
7. No provision shall be made for increased costs due to the sale of a facility.
8. Providers which finance facilities pursuant to North Dakota Century Code chapter 6-09.6, subject to the approval of the department, may elect to be reimbursed based upon the mortgage principle payments rather than depreciation. Once an election is made by the provider, it may not be changed without department approval.

Section 16 - Interest Expense

1. In general:

- a. To be allowable under the program, interest must be:
 - (1) Supported by evidence of an agreement that funds were borrowed and that payment of interest and repayment of the funds are required;
 - (2) Identifiable in the provider's accounting records;
 - (3) Related to the reporting period in which the costs are incurred;
 - (4) Necessary and proper for the operation, maintenance, or acquisition of the provider's facilities used therein;
 - (5) Unrelated to funds borrowed to purchase assets in excess of cost or fair market value; and
 - (6) When representative of borrowing for the purpose of making capital expenditures for assets that were owned by any other hospital, facility, or service provider on or after July 18, 1984, limited to that amount of interest cost which such hospital, facility, or service provider may have reported, for ratesetting purposes, had the asset undergone neither refinancing nor a change of ownership.
- b. In such cases where it was necessary to issue bonds for financing, any bond premium or discount shall be accounted for and written off over the life of the bond issue.

TN No. 03-019
Supersedes
TN No. 91-01

Approval Date JAN 12 2004

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9. ~~Recapture of depreciation.~~

- a. ~~At any time that the operators of a facility sell an asset, or otherwise remove that asset from service in or to the facility, any depreciation costs asserted after June 1, 1984, with respect to that asset, are subject to recapture to the extent that the sale or disposal price exceeds the undepreciated value except as provided in paragraphs (1) and (2). If the department determines that a sale or disposal was made to a related party, or if a facility terminates participation as a provider of services in a department program, any depreciation costs asserted after June 1, 1984, with respect to that asset or facility, are subject to recapture to the extent that the fair market value of the asset or facility exceeds the depreciated value.~~

- ~~(1) If a facility has been owned for twenty years or longer, there may be no recapture of depreciation; or~~

- (2) ~~If a facility has been owned for more than ten years but less than twenty years, the depreciation recapture amount must be reduced by ten percent times the number of years the facility is owned after the tenth year.~~

TN No. 95-010
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- b. ~~The seller and the purchaser may, by agreement, determine which shall pay the recaptured depreciation. If the parties to the sale do not inform the department of their agreement, the department will offset the amount of depreciation to be recaptured against any amounts owed, or to be owed, by the department to the seller and buyer. The department will first exercise the offset against the seller, and shall only exercise the offset against the buyer to the extent that the seller has failed to repay the amount of the recaptured depreciation.~~

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- b. In such cases where it was necessary to issue bonds for financing, any bond premium or discount shall be accounted for and written off over the life of the bond issue.

TN No. 91-01
Supersedes
TN No. 84-1

JAN 12 2004
Approval Date _____

JUL -1
Effective Date _____